

# SENATE BILL 901

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2lr2657  
CF HB 1027

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By: **Senator Klausmeier**

Introduced and read first time: February 8, 2012

Assigned to: Rules

Re-referred to: Finance, February 10, 2012

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Committee Report: Favorable with amendments

Senate action: Adopted with floor amendments

Read second time: March 23, 2012

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Credit Regulation – Retail Installment Sales and Closed End Credit – Debt**  
3 **Cancellation Agreements – Definitions**

4 FOR the purpose of altering the definition of “debt cancellation agreement”, for  
5 purposes of certain provisions of law governing retail installment sales and  
6 closed end credit, to include, under certain circumstances, an agreement under  
7 which the outstanding balance of a loan is reduced by the actual cash value of a  
8 certain motor vehicle or of certain collateral at the time of loss; altering the  
9 definitions of “outstanding balance” and “remaining loan balance” to exclude  
10 any ~~other items as agreed to by the parties and stated in the debt cancellation~~  
11 ~~agreement~~ deferred payments and the refundable a certain portion of any  
12 financed taxes and charges; and generally relating to credit regulation and debt  
13 cancellation agreements.

14 BY repealing and reenacting, without amendments,  
15 Article – Commercial Law  
16 Section 12–601(a) and 12–1001(a)  
17 Annotated Code of Maryland  
18 (2005 Replacement Volume and 2011 Supplement)

19 BY repealing and reenacting, with amendments,  
20 Article – Commercial Law  
21 Section 12–601(h) and (p) and 12–1001(h) and (l)  
22 Annotated Code of Maryland

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**EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (2005 Replacement Volume and 2011 Supplement)

2 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
3 MARYLAND, That the Laws of Maryland read as follows:

4 **Article – Commercial Law**

5 12–601.

6 (a) In this subtitle the following words have the meanings indicated.

7 (h) “Debt cancellation agreement” means an agreement between a seller and  
8 a buyer which provides for cancellation of the outstanding balance payable under an  
9 installment sale agreement in the event of theft or total destruction of the motor  
10 vehicle that is the subject of the installment sale agreement [after application of]  
11 **MINUS** the proceeds of any insurance maintained on the motor vehicle **OR, IF THE**  
12 **BUYER DOES NOT HAVE INSURANCE THAT COVERS THE LOSS, THE ACTUAL CASH**  
13 **VALUE OF THE MOTOR VEHICLE AT THE TIME OF LOSS, DETERMINED AS**  
14 **PROVIDED IN THE DEBT CANCELLATION AGREEMENT.**

15 (p) “Outstanding balance”, when used in reference to a debt cancellation  
16 agreement, does not include:

17 (1) Any delinquent **OR DEFERRED** payments;

18 (2) Past due charges;

19 (3) Late payment charges;

20 (4) Unearned interest;

21 (5) Unearned rental payments; [or]

22 **(6) THE REFUNDABLE PORTION OF ANY FINANCED TAXES OR**  
23 **CHARGES, INCLUDING CHARGES FOR CREDIT LIFE INSURANCE, CREDIT HEALTH**  
24 **INSURANCE, CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE, AND**  
25 **MECHANICAL REPAIR CONTRACTS, ALREADY REFUNDED TO THE BUYER; OR**

26 ~~(6) (7)~~ By agreement of the parties, the amount of any primary  
27 insurance deductible; ~~OR~~

28 **(7) OTHER ITEMS AS AGREED TO BY THE PARTIES AND STATED IN**  
29 **THE DEBT CANCELLATION AGREEMENT.**

30 12–1001.

1 (a) In this subtitle the following words have the meanings indicated.

2 (h) "Debt cancellation agreement" means an agreement between a credit  
 3 grantor and a borrower which provides for cancellation of the remaining loan balance  
 4 in the event of theft or total destruction of the collateral for the loan [after application  
 5 of] MINUS the proceeds of any insurance maintained on the collateral for the loan **OR,**  
 6 **IF THE BORROWER DOES NOT HAVE INSURANCE THAT COVERS THE LOSS, THE**  
 7 **ACTUAL CASH VALUE OF THE ~~MOTOR VEHICLE~~ COLLATERAL AT THE TIME OF**  
 8 **LOSS, DETERMINED AS PROVIDED IN THE ~~DEBT CANCELLATION~~ AGREEMENT.**

9 (l) "Remaining loan balance", when used in reference to a debt cancellation  
 10 agreement, does not include:

11 (1) Any delinquent **OR DEFERRED** payments;

12 (2) Past due charges;

13 (3) Late payment charges;

14 (4) Unearned interest;

15 (5) Unearned rental payments; [or]

16 **(6) THE REFUNDABLE PORTION OF ANY FINANCED TAXES OR**  
 17 **CHARGES, INCLUDING CHARGES FOR CREDIT LIFE INSURANCE, CREDIT HEALTH**  
 18 **INSURANCE, CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE, AND**  
 19 **MECHANICAL REPAIR CONTRACTS, ALREADY REFUNDED TO THE BORROWER; OR**

20 ~~(6) (7)~~ By agreement of the parties, the amount of any primary  
 21 insurance deductible; ~~OR~~

22 ~~(7) OTHER ITEMS AS AGREED TO BY THE PARTIES AND STATED IN~~  
 23 ~~THE DEBT CANCELLATION AGREEMENT.~~

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
 25 October 1, 2012.